



New housing markets and affordability gaps in Mexico City

Mercados de vivienda nueva y brechas de asequibilidad en la Ciudad de México

Mercados de habitação nova e lacunas de acessibilidade na Cidade do México

Marchés du logement neuf et écarts d'accessibilité à la Ville de Mexico

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Abstract

The purpose of this study is to analyze the evolution of new housing markets in Mexico City and its metropolitan area between 2000 and 2024 and how market segmentation in this sector reinforced affordability gaps. Affordability gaps are understood as the distance between household income capacity and actual home purchase prices. Residential segmentation was determined based on submarkets classified by size and price and their spatial distribution in the metropolis, while affordability was measured as the relationship between housing prices and family income. The results show the consolidation of a spatially segmented and differentiated supply of new housing, which generated price structures that acted as differentiated demand mechanisms. This spatial pattern reinforced inequalities in access in the metropolis, deepening the gap between those who managed to acquire higher-quality housing in urban environments with better living conditions and those who were displaced to the peripheries where, although prices were relatively lower, there were significant deficits in public facilities and services.

Keywords: affordability gaps, access to housing, housing markets, housing segments, residential segregation

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Resumen

El propósito de este trabajo es analizar la evolución de los mercados de vivienda nueva en la Ciudad de México y su zona metropolitana entre 2000 y 2024 y cómo la oferta segmentada en este sector reforzó las brechas de asequibilidad. Las brechas de asequibilidad se entienden como la distancia entre la capacidad de ingreso de los hogares y los precios efectivos de adquisición de la vivienda. La segmentación residencial se determinó a partir de los submercados clasificados por tamaño y precio y su distribución espacial en la metrópoli, mientras que la medición de la asequibilidad se consideró la relación entre los precios de la vivienda y los ingresos de las familias. Los resultados evidencian la consolidación de una oferta segmentada y diferenciada espacialmente de producción de vivienda nueva, lo que generó estructuras de precios que actuaron como mecanismos diferenciados. Este patrón espacial reforzó las desigualdades en el acceso en la metrópoli, al profundizar la distancia entre quienes lograron adquirir viviendas de mayor calidad y en entornos urbanos con mejores condiciones de habitabilidad, frente a quienes fueron desplazados hacia periferias donde, si bien los precios resultaron relativamente más bajos, predominan déficits en equipamiento y servicios públicos.

Palabras clave: brechas de asequibilidad, acceso a vivienda, mercados de vivienda, segmentos de vivienda, segregación residencial

Résumé

L'objectif de ce travail est d'analyser l'évolution des marchés du logement neuf à Mexico et dans sa zone métropolitaine entre 2000 et 2024, et de montrer comment l'offre segmentée dans ce secteur a renforcé les écarts d'accessibilité. Les écarts d'accessibilité sont compris comme la différence entre le revenu des ménages et les prix d'achat effectifs des logements. La segmentation résidentielle a été déterminée à partir des sous-marchés classés par taille et par prix et de leur répartition spatiale dans la métropole, tandis que la mesure de l'accessibilité a été considérée comme le rapport entre les prix des logements et les revenus des familles. Les résultats montrent la consolidation d'une offre segmentée et différenciée spatialement de production de logements neufs, ce qui a généré des structures de prix qui ont agi comme des mécanismes différenciés. Ce modèle spatial a renforcé les inégalités d'accès dans la métropole, en creusant l'écart entre ceux qui ont pu acquérir des logements de meilleure qualité et dans des environnements urbains offrant de meilleures conditions de vie, et ceux qui ont été déplacés vers les périphéries où, même si les prix sont relativement plus bas, les équipements et les services publics font défaut.

Resumo

O objetivo deste trabalho é analisar a evolução dos mercados de habitação nova na Cidade do México e sua área metropolitana entre 2000 e 2024 e como a oferta segmentada neste setor reforçou as disparidades de acessibilidade. As disparidades de acessibilidade são entendidas como a distância entre a capacidade de renda das famílias e os preços efetivos de aquisição da habitação. A segmentação residencial foi determinada a partir dos submercados classificados por tamanho e preço e sua distribuição espacial na metrópole, enquanto a medição da acessibilidade foi considerada a relação entre os preços das moradias e a renda das famílias. Os resultados evidenciam a consolidação de uma oferta segmentada e espacialmente diferenciada de produção de moradias novas, o que gerou estruturas de preços que atuaram como mecanismos diferenciados. Esse padrão espacial reforçou as desigualdades no acesso na metrópole, aprofundando a distância entre aqueles que conseguiram adquirir moradias de melhor qualidade e em ambientes urbanos com melhores condições de habitabilidade, em comparação com aqueles que foram deslocados para periferias onde, embora os preços fossem relativamente mais baixos, predominam déficits em equipamentos e serviços públicos.

Palavras-chave: lacunas de acessibilidade, acesso à moradia, mercados imobiliários, segmentos imobiliários, segregação residencial

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Mots-clés: écarts d'accessibilité, accès au logement, marchés du logement, segments du logement, ségrégation résidentielle

Introduction

The purpose of this paper is to examine how the segmented housing market of new housing built during the period 2000-2024 contributed to widening affordability gaps. It is argued that the differentiation of housing products in terms of location, price, quality, and financing mechanisms reinforced a stratified market, where low-income sectors were channeled toward low-cost, peripheral social housing complexes with limited access to urban services, while developments aimed at the middle and upper classes were concentrated in strategic enclaves with high real estate profitability.

New housing production in Mexico has followed a trend toward segmentation due to the marked stratification of income levels among the population. Generally, the different housing segments, known as sub-markets, tend to be differentiated by attributes such as price, size, and location. These trends have become more pronounced in Mexico City and its metropolitan area, which has become the scene of a huge, highly polarized residential market, at least in the last 25 years.

The consolidation of a segmented housing market of new housing gave rise to price structures that operated as differentiators of demand. As a result, two major trends can be distinguished: first, the expansion of housing development groups that promoted the mass production of social housing and apartments, primarily sponsored by the state, in the northern and eastern municipalities of the metropolis; and, second, real estate companies and financial agents that promoted private market residential projects aimed at the middle and upper classes, selectively located in areas of the central city and the western outskirts of the capital.

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The spatial scope of reference is the Mexico City Metropolitan Area (MCMA), comprising the 16 boroughs of Mexico City, 59 municipalities in the State of Mexico, and one municipality in the state of Hidalgo (SE-DATU, CONAPO, and INEGI, 2018). The data covers the period from the first quarter of 2000 to the fourth quarter of 2024. Its georeferencing, using a geographic information system (GIS) and the resulting cartography, made it possible to gather evidence to explain growth trends in new housing by different segments during the period in question.

Housing market segmentation was considered based on submarkets previously classified by size, quality, and price, while affordability was measured as the relationship between housing prices and household income. According to the United Nations, (UN-Habitat, 2019), there are two elements that can help measure housing affordability in terms of acquisition: the first is the ratio between the price of housing and annual household income, and the second refers to the threshold at which housing ceases to be affordable; This refers to 30% of household income spent on mortgage payments (homeowners), rent (tenants), or direct operating expenses such as taxes, insurance, and utility payments.

Based on these parameters, the following sources of information were used: a) average housing price trends in the MCMA, developed by this

research; b) average household income in Mexico City according to the National Income and Expenditure Surveys (ENIGH) developed by the National Institute of Statistics and Geography (INEGI) in 2024; c) average income of the IX decile of families in Mexico according to the National Income and Expenditure Surveys, 2000-2016; and d) mortgage interest rates for households, including banks and Sofoles, average CAT for fixed-rate loans in pesos from Banxico 2000-2024.

To estimate the ratio between the average price of housing and average family income, the average price of new housing was used, deflated on a 2024 basis using the National Consumer Price Index (INPC), as it groups the different submarkets within the MCMA. In terms of income, since 2016, the ENIGH has provided information on the structure of household income and expenditure by state. However, it is not possible to do so before this period, so we opted to use decile IX as a constant measure from 2000 to 2015, which is comparable to the relationship shown between the incomes of families in the city and those in the country from 2016 to 2024. With these values, annualized incomes are divided by the average housing price.

The work is organized into three sections. The first presents the theoretical framework based on a conceptual review of the segmentation of housing markets and their relationship with affordability. The second part establishes the typology of housing markets and describes their main trends in the MCMA. Finally, the last part identifies the conditions of affordability in new housing in the study area based on the methodology outlined above.

Theoretical Framework: Housing Segmentation and Affordability

The segmentation of housing markets is central to understanding the contemporary dynamics of production and access to urban space. In highly complex metropolitan contexts, the set of differentiated housing segments also responds to business strategies, state regulations, and global real estate investment trends (Oxley, 2004; Stone, 2010; Aalbers, 2016). This fragmentation translates into the consolidation of housing production and consumption circuits with different logics, which shapes a residential structure marked by growing inequalities in terms of quality, location, and, above all, affordability.

For Goodman and Thibodeau (1998), the segmentation of the housing market is a consequence of the heterogeneity of real estate products and the economic and regulatory restrictions faced by buyers. These constraints include factors such as access to mortgage credit, proximity to basic services, and land use regulations, which limit or

favor the options for developers or investors to build and offer certain products. Goodman and Thibodeau (2003) argue that market segmentation is also related to buyers' perception of value. Thus, for example, in luxury housing submarkets, access to services and exclusive consumption environments and amenities, coupled with strategic location, are key factors, while in social interest submarkets, price and access to financing are primary determinants.

From a theoretical point of view, segmentation in the field of residential real estate can be understood as the result of the interaction between supply and demand, mediated by financing mechanisms, public policies, and speculative dynamics (Oxley, 2004; Gilbert, 2014). Some of the authors who have studied segmented housing markets point out that the existence of different barriers to access, related to family income, credit requirements, or developers' profitability expectations, are what shape the formation of differentiated access spaces (Hulchanski, 2007; Stone, 2010).

In this context, affordability becomes a critical dimension for understanding inequalities in access to housing. Traditionally, it has been measured based on the relationship between family income and housing prices, under the notion of percentage expenditure thresholds (Bogdon & Can, 2003). However, this approach is limited, as it does not capture the multiple conditions that determine the real possibility of access to and permanence in a housing solution. Affordability should rather be understood as a dynamic category that incorporates the effective capacity of households to assume not only the initial cost of acquisition, but also the long-term financial commitments linked to credit systems, interest rates, and exposure to debt risks (Stone, 2010). Similarly, it includes the ability to cover maintenance costs, basic services, transportation, and other expenses associated with the location of the home. In this sense, affordability is not reduced to a simple equation between income and price, but rather expresses a network of economic, territorial, and social factors.

In Latin America, the segmentation of new housing markets is a widespread phenomenon, closely linked to marked income polarization and the unequal distribution of urban opportunities. This pattern manifests itself in the coexistence of distinct housing circuits: on the one hand, large segments of the low-income population have access to social housing projects built in large peripheral complexes, characterized by relatively low costs but accompanied by limitations in infrastructure, connectivity, and services; on the other, middle- and high-income households are housed in residential developments of higher quality and real estate value, located both in strategic central areas and in peri-urban areas of increasing value. This model reproduces and deepens socio-spatial inequalities, while reinforcing residential segregation in Latin American metropolises (Monkkonen, 2012; Rolnik, 2019).

This pattern correlates with the ways in which different actors finance the production, marketing, and acquisition of housing. Various empirical studies show that the expansion of large developers backed by stock market financing has promoted the mass production of affordable housing in urban peripheries over the last two decades (Connolly, 2009). These developments, characterized by their low initial cost, initially facilitated the acquisition of formal housing for low-income sectors; however, their remote location, poor infrastructure, and connectivity difficulties transformed this apparent solution into a new factor of socio-territorial vulnerability. At the same time, at the other end of the spectrum, real estate companies and investment funds promoted residential projects aimed at middle- and high-income sectors, located in strategic enclaves with high real estate profitability (Delgadillo, 2021). The coexistence of both circuits consolidated a highly segmented housing market.

The affordability gaps resulting from this segmentation are not only reflected in absolute housing prices, but also in credit conditions and the costs associated with transportation, services, and daily life. For large sectors of the population, housing choices are reduced to a dichotomy: either access formal housing in peripheral areas at the cost of long commutes and lower urban quality, or remain in central areas through rental options, in the latter case facing price increases linked to gentrification and new pressures from the financialization of residential properties and services. In summary, the segmentation of the housing markets and affordability gaps are not isolated phenomena, but interdependent processes that reinforce each other and shape the structure of contemporary urban inequality.

Segmented New Housing Markets

In Mexico, the main criterion for identifying the different new housing markets is by price range, surface area, and building quality, according to which there are six categories. Affordable housing is the most accessible type and was designed to meet basic needs at a very low cost. These properties are usually small houses, between 40 and 60 square meters, with a functional design and low-cost construction materials. They are aimed at individuals or families with low incomes, often benefiting from government subsidies. This type of housing can range from \$13,000 to \$20,500 USD at 2020 prices^[1] (see Table 1).

[1] The classification was developed in 2020, basing it on a price range derived

Popular housing represents an improvement over economic housing. Although it is still affordable, it offers more solid construction quality and better distributed spaces, with areas that tend to range between 60 and 80 square meters. This type of housing is usually houses and includes basic services and defined spaces. Their cost varies, ranging from over \$20,501 to \$38,000 USD, and they are an initial option for low- to middle-income families looking for housing with better finishes.

Traditional housing has a more versatile approach and, in many cases, adapts to cultural and regional characteristics. These homes tend to have a larger surface area, between 80 and 120 square meters, and can be built with traditional or modern materials. They are aimed at middle-income families, and their price varies depending on the location, but generally ranges between \$38,001 and \$61,008 USD.

In a higher segment is the mid-range home, which stands out for its strategic location in intermediate urban areas or areas with easy access. These homes can be houses or apartments. The houses have a surface area ranging from 100 to 200 square meters, while the apartments are usually well located with surface areas of 60 to 80 square meters. Both offer better quality finishes, more elaborate designs, and more spacious areas. In addition, they often include additional services such as green areas, parking, and, in some cases, private security. Mid-range housing is designed for families with middle or upper-middle incomes, and its price ranges from \$61,009 to \$130,731 USD, depending on location and amenities.

Residential housing represents a level of exclusivity and greater luxury. With areas of 200 square meters or more in houses and 70 to 100 square meters in apartments, these homes stand out for their location in central areas, sophisticated architectural designs, and quality finishes. They are usually located in privileged areas or exclusive subdivisions and offer services such as private security and some amenities. This type of housing is aimed at high-income families seeking exclusivity. Prices can range from \$130,732 to \$271,921 USD.

Finally, residential plus housing is at the top of the real estate market, offering maximum exclusivity and luxury. These residences typically offer houses of more than 300 square meters and apartments that generally exceed 120 square meters, including large plots of land, unique architectural designs, and the use of advanced technology, such as smart automation systems. Their location is limited to highly exclusive areas or large urban projects, and

from multiplying the minimum wage in Mexico n times (doubled between 2000-2024). Using 2024 means we would assume a predominant share of the residential segment and fails to explain previous years.

Housing typology		Times minimum monthly wage		Price range (USD)	
		Minimum	Maximum	Minimum	Maximum
Social	Economic		118	\$ -	\$ 20,568
	Popular	119	218	\$ 20,568	\$ 37,999
	Traditional	219	350	\$ 37,999	\$ 61,008
Middle	Middle	351	750	\$ 61,008	\$ 130,731
Residential	Residential	751	1,560	\$ 130,731	\$ 271,921
	Residential Plus	1,561		\$ 271,921	\$ -

Table 1. Housing submarket categories

Source: FCI and SHF (2021). 2020 Monthly Minimum Wage = \$174.3 USD

amenities include 24/7 security, panoramic views, private clubs, and premium services. This type of housing is aimed at families or individuals with very high incomes, as well as investors, with prices starting at \$271,921 USD and reaching \$9 million USD.

Since the beginning of this century, new housing production in the MCMA has tended to become more widespread in the social housing segment. This is due to a standardized building model, with relatively small dimensions in a single-story or duplex type, which offered better technical solutions for construction by building companies, but also because the houses, even if they were small, offered a better image for marketing by developers. Apartments, on the other hand, offer greater versatility in terms of design, price, and size, which allows them to adapt more flexibly to all segments of demand and location (see Figure 1).

During the period under review, there was a cycle of housing production that began to rise steadily in 2000, peaking in 2008 (when the global financial and real estate crisis began) and falling to its lowest levels in 2024 (see Figure 2). As noted, social housing construction dominated the scene between 2000 and 2012 as part of the aggressive housing policy promoted by the federal administrations of Vicente Fox and Felipe Calderón, largely due to the facilities they offered to business groups engaged in real estate. Numerous companies colloquially known as ‘vivienderas’ participated in this process, although it was necessary to deploy political agreements with state and local governments to carry out deregulations and land changes in rural areas and municipal land reserves where most new homes were built on a massive scale.

On the other hand, the development of middle-income housing shows a more stable and discreet behavior throughout the period. This segment, which responds to the demand of middle-income sectors, does not experience the same growth peaks as social housing, but neither does it face sharp declines. However, this segment shows a downward trend that reveals a persistent difficulty in

serving this intermediate group of the population, which faces barriers both in access to credit and in the availability of developments suited to its economic capacity.

Residential housing, aimed at higher-income sectors, shows a different pattern. Although its construction volume was lower in the early years, sustained growth has been observed in this segment since 2014. This increase can be interpreted as a response to growing interest in more lucrative projects in urban areas with higher capital gains in the metropolis, as well as the acquisition of housing as an investment asset. The expansion of residential housing reflects a change in the dynamics of the real estate market that seems to favor more exclusive and profitable developments, aimed at specific sectors of the population with higher status, investors, and foreigners with high economic capacity who have been arriving in the Mexican capital over the last two decades.

In general, there is evidence of a change in market priorities and urban development dynamics. What began as a model focused on the mass production of social housing had a cyclical behavior because it tended to encounter limits and seems to have evolved into a relatively diversified market, but also with a growing participation of the middle and high-income segments. According to the distribution of different types of housing developments in the MCMA for 2005, Figure 3 shows how urban space is organized according to housing segments and number of projects.

Social housing, intended for the lowest income sectors, was built mainly on the outskirts of the city, particularly in municipalities in the State of Mexico such as Ecatepec, Tecámac, and Chalco. These areas tend to be located on more affordable land, although they are often far from the main urban centers and have limited access to basic services and adequate infrastructure. On the other hand, middle-income housing is more frequently located in inner areas of the consolidated city, both in the center and in areas adjacent to the south of Mexico City. Municipalities such as Benito Juárez and Coyoacán concentrate de-

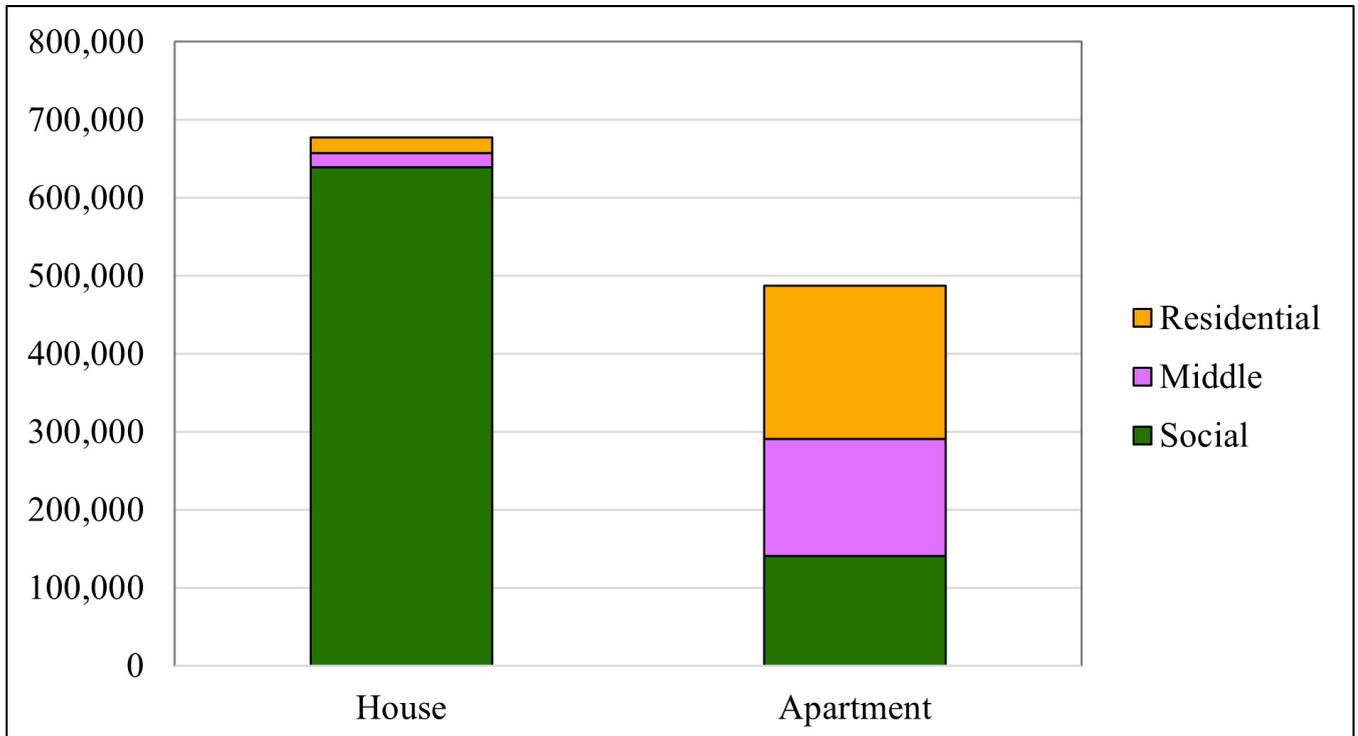


Figure 1. Mexico City Metropolitan Area: number of housing units built by type and market segment (cumulative 2000-2024)

Source: Own elaboration based on Softec (2022) and own sampling (2024).

velopments of this type, where connectivity and urban services are more accessible, reflecting a strategic location for this population segment. Finally, residential housing, associated with higher income sectors, predominates in the boroughs in the west of the city, such as Miguel Hidalgo, Álvaro Obregón, and Cuajimalpa. These areas are characterized by their high added value and concentration of luxury developments, linked to a better quality of life and exclusive services.

The size of the developments is also relevant, represented by the scale of the circles on the map. The largest concentrations of housing are mainly associated with social developments on the outskirts, which is consistent with national and local public policies that facilitated the mass production of social housing (affordable, popular, and traditional) in areas with low land costs and larger land reserves, but often with poor planning criteria that hindered the provision of services and facilities, as well as the mobility of their inhabitants.

A comparative analysis of the 2005 and 2022 housing development maps in the Mexico City metropolitan area reveals significant transformations in the way the metropolis has grown and distributed itself spatially based on the built residential environment. This growth reflects both a continuity in development patterns and new urban dynamics driven by economic and demographic factors and the material production of the habitat.

One evident process is the continued marginalization of social housing, although there has been a decrease in the number of projects in this segment over the last decade. In the first half of 2005, social developments were concentrated in municipalities such as Ecatepec, Tecámac, and Chalco, already marked by their peri-urban character and lower land costs. By 2022, these areas have not only consolidated their position as hubs for social housing but have also spread to municipalities further away from the main urban center, such as Huehuetoca, Zumpango, and Tizayuca to the north. This phenomenon highlights a model of extensive urbanization, where cheap land on the periphery remains the main attraction for housing projects aimed at lower-income sectors.

In contrast, middle-income and residential housing show less geographical expansion. In both years, these housing categories were mainly concentrated in the peri-central areas to the west of the city, where infrastructure and services make land more profitable. However, in 2022, there is greater densification, expansion, and concentration of the residential segment in municipalities such as Cuajimalpa, Álvaro Obregón, Miguel Hidalgo, Cuauhtémoc, and Benito Juárez, as well as in the municipality of Huixquilucan in enclaves that tend toward exclusivity. Although there is also an incipient expansion of middle-income housing towards peripheral areas, this remains much less significant compared to social housing.

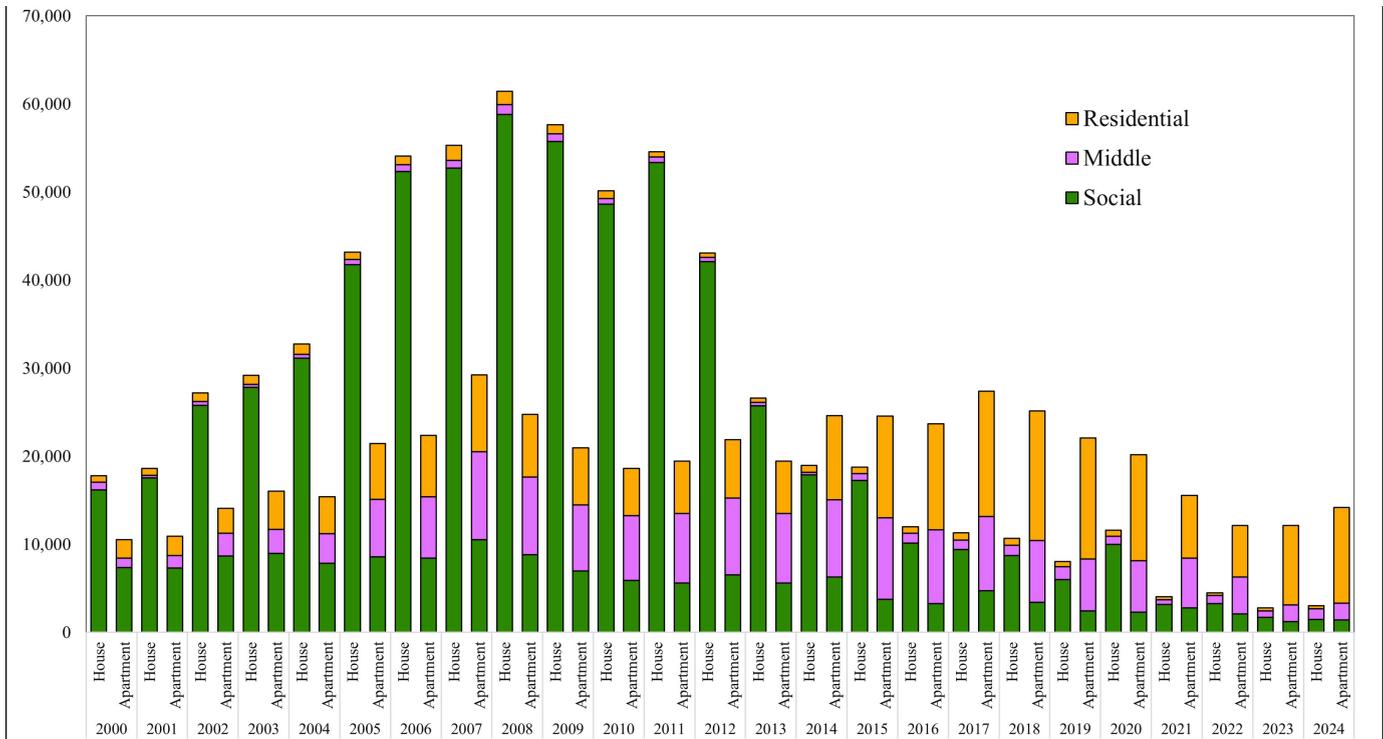


Figure 2. Mexico City Metropolitan Area: number of housing units built by type and market segment (2000-2024)
 Source: Own elaboration based on Softec (2022) and own sampling, 2024.

The most notable aspect of the comparison is the persistence of marked socio-spatial segregation. Housing for lower-income sectors is located in areas furthest from the urban center, middle-income housing is concentrated in the eastern boroughs of Mexico City, while residential housing is concentrated and expanding in more consolidated areas. This division not only reinforces existing inequalities but also perpetuates a fragmented city model, where access to opportunities and quality of the environment depends largely on location.

Furthermore, the comparison highlights the prioritization of quantity over quality in urban growth and the revaluation of areas in the center and west of the city. There was a significant increase in the volume of housing developments, especially social housing, reflecting an increase in demand for lower-cost properties among the majority of the low-income population in the metropolis. Meanwhile, the central and western areas of the city are becoming denser and more vertical, displaying patterns of greater exclusivity and lower affordability.

Affordability Gaps

Affordability gaps emerge when lower-income social groups face prices and credit conditions that systematically exceed their ability to access housing segments with

better locations, qualities, and services. This situation creates a dual market that not only expresses a quantitative difference between income and price but also constitutes a mechanism of socio-spatial exclusion, restricting the possibility of urban integration and deepening residential segregation. In the words of Stone (2010), this is a structural phenomenon that prevents large social sectors from fully exercising their right to housing, while reinforcing the concentration of opportunities in increasingly inaccessible market segments.

According to INEGI (2024), the average monthly income per household in Mexico City was \$2,005 USD in 2024. However, 30% of the lowest-income population, located between deciles I and III, has incomes below \$1,000 USD, equivalent to less than three minimum monthly wages. A high proportion of low-income families means that their access to the housing market is limited to the lower-priced segments. Thus, according to the National Chamber of the Housing Development and Promotion Industry (CANADEVI, 2024), of the nearly half a million new housing units registered in Mexico in 2013, 73% were in the affordable, popular, and traditional housing segments, while only 10.6% were in the middle segment and only 1.6% in the residential plus segment. By 2022, the proportion was 55% for the three lowest-priced segments, 25% for the middle segment, and 20% for the residential and residential plus segments. These data confirm the strong correlation between increased demand for

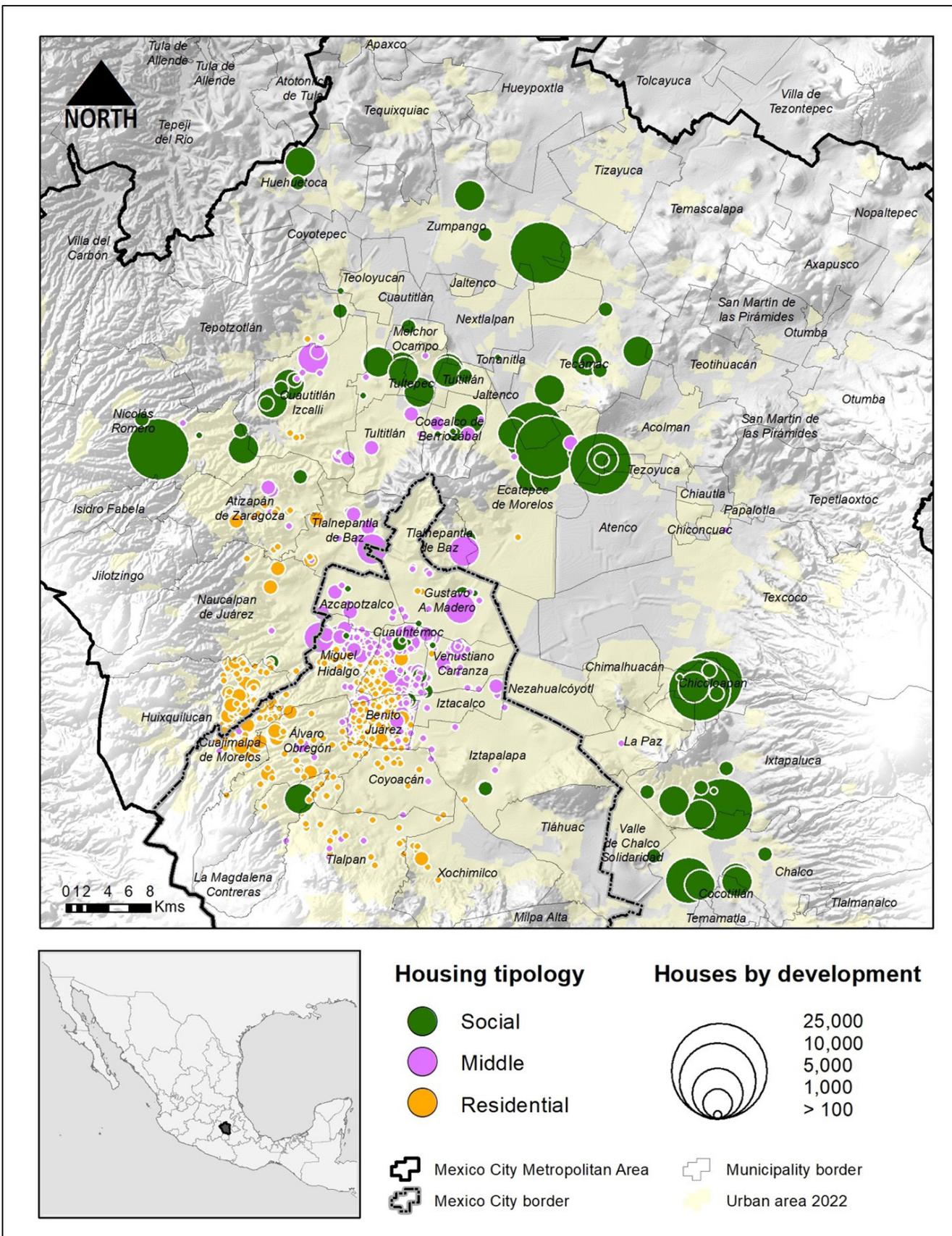


Figure 3. Mexico City Metropolitan Area: housing projects by segment, 2005

Source: Prepared by the author based on data from the Mexico City Government (2023); SEDUI, (2022); Softec (2001-2022).

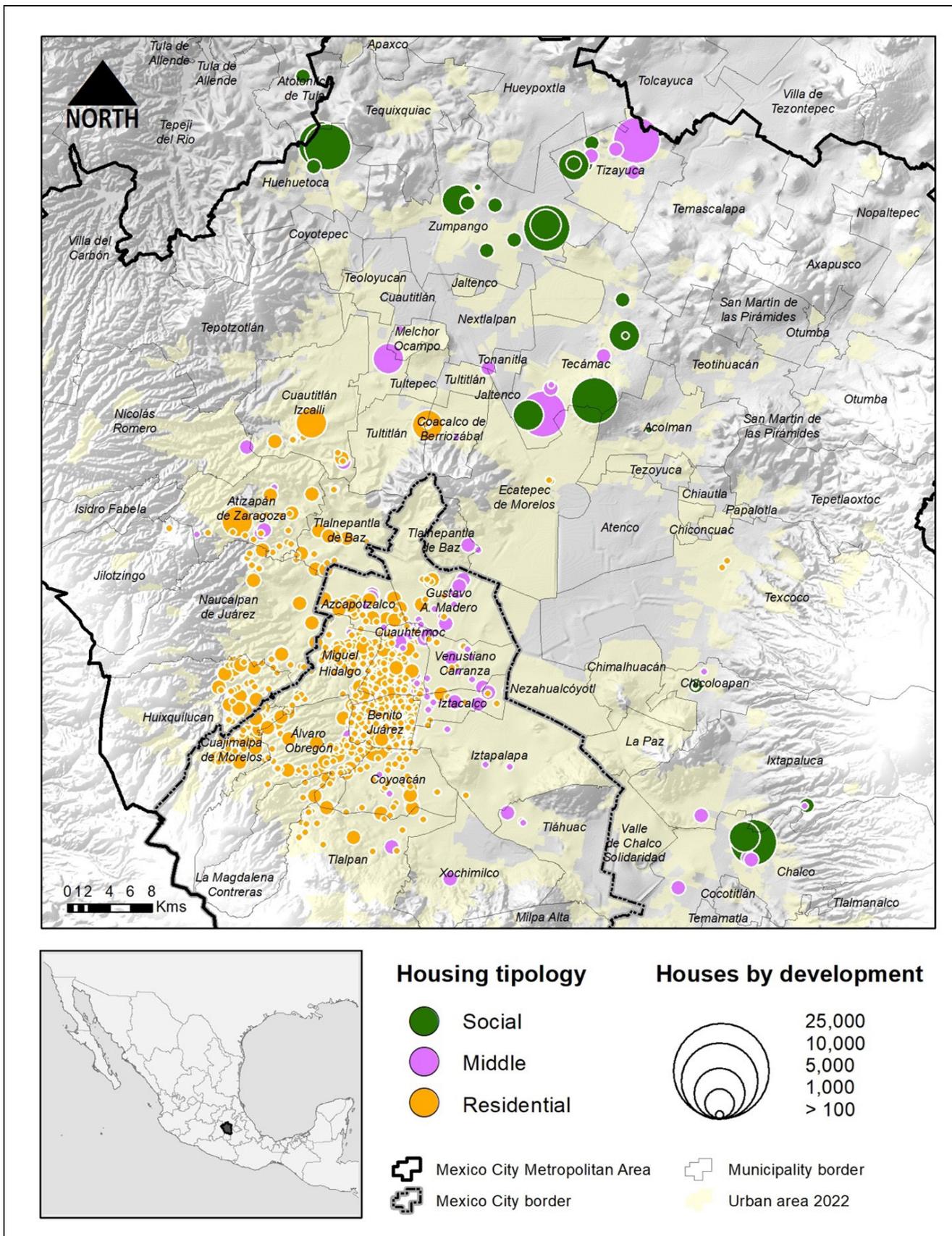


Figure 4. Mexico City Metropolitan Area: housing projects by segment, 2022

Source: Prepared by the author based on Mexico City Government (2023); SEDUI, (2022); Softec (2001-2022).

lower-cost housing and the greater presence of low- and middle-income populations.

This pattern is also observed in the MCMA, as a sample of data collected and processed from 1'164,417 homes built between 2000 and 2024 found that 67% corresponded to social housing (affordable, popular, and traditional), 14.5% was grouped as middle-income housing, and 18.5% as residential housing (residential and residential plus). Houses are the most numerous category, with 677,000 units, equivalent to 58% of the entire sector, while 486,000 apartments account for the remaining 42%. In the house category, the social segment clearly dominates with nearly 95% of the market. In the apartment category, the market is divided equally among the social, medium, and residential segments.

Housing affordability has declined significantly in contexts such as Mexico and particularly the MCMA. Figure 5 shows a significant increase in the price-to-income ratio, which is the most used indicator of affordability. Specifically, this ratio increased from 3.6 in 2000 to 9.0 in 2024.

Analysis of the trend in this indicator in the MCMA reveals a loss of stability from 2000 to 2011, during which there was a strong supply of affordable housing. However, it is important to note that these homes lacked the necessary characteristics to fully meet adequate housing needs (UN-Habitat Mexico, 2019), as they were located in peripheral areas with poor services and transportation links. It has even been pointed out that they were built with low-quality materials, making future extensions impossible (Eibenschutz and Goya, 2009).

Subsequently, during the period between 2012 and 2019, the indicator experienced a steady growth trend, reaching a value of 12.8, which represents the number of times the annualized salary exceeds the average price of housing. From 2020 to 2024, the indicator has shown a steady contraction but remains at a higher level than during the period of stability.

Estimates of home purchase potential based on average income and credit conditions in Mexico show a significant growth in the affordability gap, since in 2000 the average home price was USD 173,000, compared to a purchase potential of USD 65,000. By 2024, this gap will widen further, with average homes costing USD 217,000, compared to a purchase potential of USD 49,000.

The trajectory experienced by the MCMA in terms of affordability indicates that, during the period between 2000 and 2008, there was an increase in the potential amount of home purchases by families. This increase ranged from \$64,000 to \$84,000 and was attributable to improved cred-

it conditions, which led to a reduction in interest rates from 22% to 15%, as well as a slight contraction in housing prices, which fell from \$173,000 to \$137,000. However, the decline in average income between 2009 and 2020 resulted in a reduction in purchasing power to \$34,000.

This process was influenced by several factors. In the popular segments, developed in the northern and eastern suburbs, firstly due to the change in housing subsidy policies in urban containment areas and, the bankruptcy or contraction of large mass housing developers' operations (GEO, ARA, URBI, HOMEX). Until 2013, these companies developed low-cost housing that was isolated from workplaces, services, and urban amenities, and lacking adequate transportation links. In the central areas of the city, the middle housing segment practically disappeared and was replaced by the higher-priced residential segment. This was largely due to the development of large urban projects, some of which were linked to new financial mechanisms, such as FIBRAS, CKDs, and Cerpis, as well as the systematic practices of paying favors to public officials, which impacted the dynamics of sales prices.

Thus, the decline in the supply of affordable housing in the periphery and the increase in real estate prices in central areas would be reflected in a substantial increase in housing prices in the city, which would reach their peak in 2019, with an average price of \$254,000 USD (Figure 6).

Following the COVID-19 pandemic, there has been an increase in average household income due to a change in Mexico's minimum wage policy. Specifically, the minimum wage has risen from USD 140 per month in 2018 to USD 411 per month in 2024. There has also been a decline in the value of residential properties. This trend can be attributed to a series of stricter measures regarding building permits, as well as a slowdown in the pace of sales, mainly due to a decline in demand for housing as an investment. In addition, government policies to promote both home ownership and renting are expected to contribute to a further reduction in the average price of housing. In 2024, the average purchase price is around \$217,000.

Based on the analysis, purchasing potential fell between 2000 and 2020 from USD 65,000 to USD 34,000, only to rise between 2020 and 2024, reaching USD 49,000. However, the affordability gap has widened significantly, given that average housing prices in 2000 were \$173,000, while in 2024 they were \$217,000. Although it is true that between 2020 and 2024 the gap has narrowed, it remains substantially larger than in the period between 2000 and 2012.

As a result of policies promoting greater state involvement in the promotion of affordable and adequate hous-

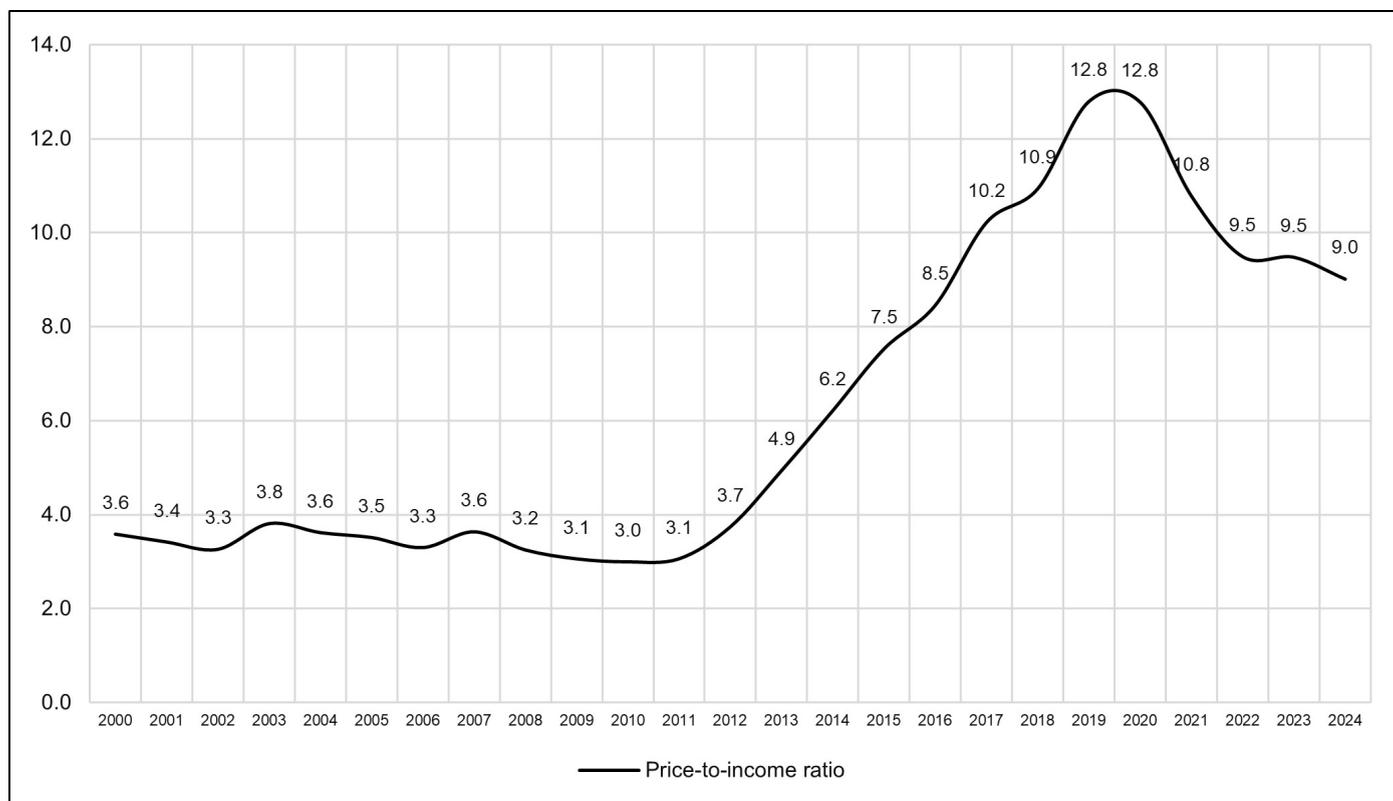


Figure 5. Trend in the ratio of average housing prices to average income in the MCMA (2000-2024)
Source: Own elaboration based on ENIGH, Inegi (2000-2024); Banxico (2024); Softec (2000-2022); own sampling (2024).

ing (SEDATU, 2025), there is a possibility that the gap will narrow in the coming years. This measure would create an environment that would not only promote the affordability of housing in remote areas with poor services, but also, in accordance with the program’s objectives, in areas close to services, sources of employment, and public transportation and communication routes. However, considering the experience gained through the direct public promotions implemented between the 1950s and 1980s, it is extremely important to monitor the processes of allocating this housing, both to the companies and institutions involved in construction and to the beneficiaries of the programs. The primary objective of this measure is to ensure transparency, quality of materials, democratic allocation processes, and proper maintenance of the properties.

The dual pattern of housing production and marketing explains, to a large extent, the formation of affordability gaps. In the MCMA, while high-income households had access to well-located developments with services and better urban environments, lower-income sectors faced the dilemma of purchasing cheap housing in the suburbs with high indirect transportation costs and loss of time, or remaining in central areas under rental regimes increasingly pressured by gentrification processes, a phenomenon that has recently emerged in the face of increasing-

ly acute limitations on purchasing or renting housing in central areas of the city.

Consequently, the segmentation of the MCMA market not only produced a spatial differentiation of new housing, but also systematically widened the affordability gaps between the different social strata of the metropolis. These gaps are expressed in the growing impossibility for low- and middle-income sectors to access adequate housing in central areas, thus reinforcing socio-residential segregation and urban exclusion.

Conclusions

The analysis of the segmentation of housing markets and affordability gaps in the MCMA allows us to draw relevant conclusions. First, from a theoretical perspective, it confirms that housing does not operate as a homogeneous market, but rather as a set of submarkets differentiated in terms of location, price, quality, and financing mechanisms. This segmentation, widely recognized in the literature, is a central element in explaining the reproduction of urban inequalities in metropolitan contexts.

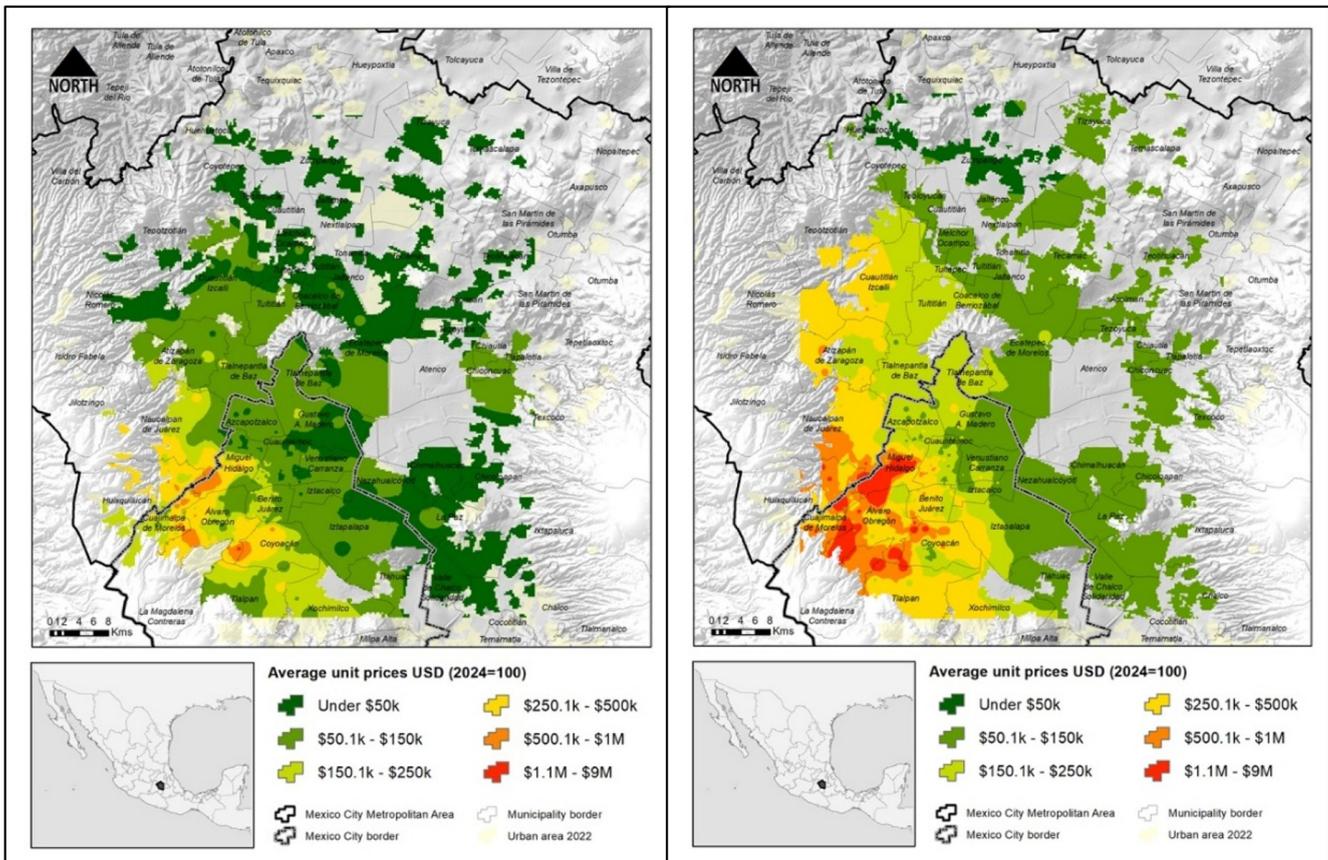


Figure 6. Zoning of unit prices for new housing 2005 versus 2024 (2024=100) (USD)

Source: Own elaboration based on Softec (2005) and own sampling (2024).

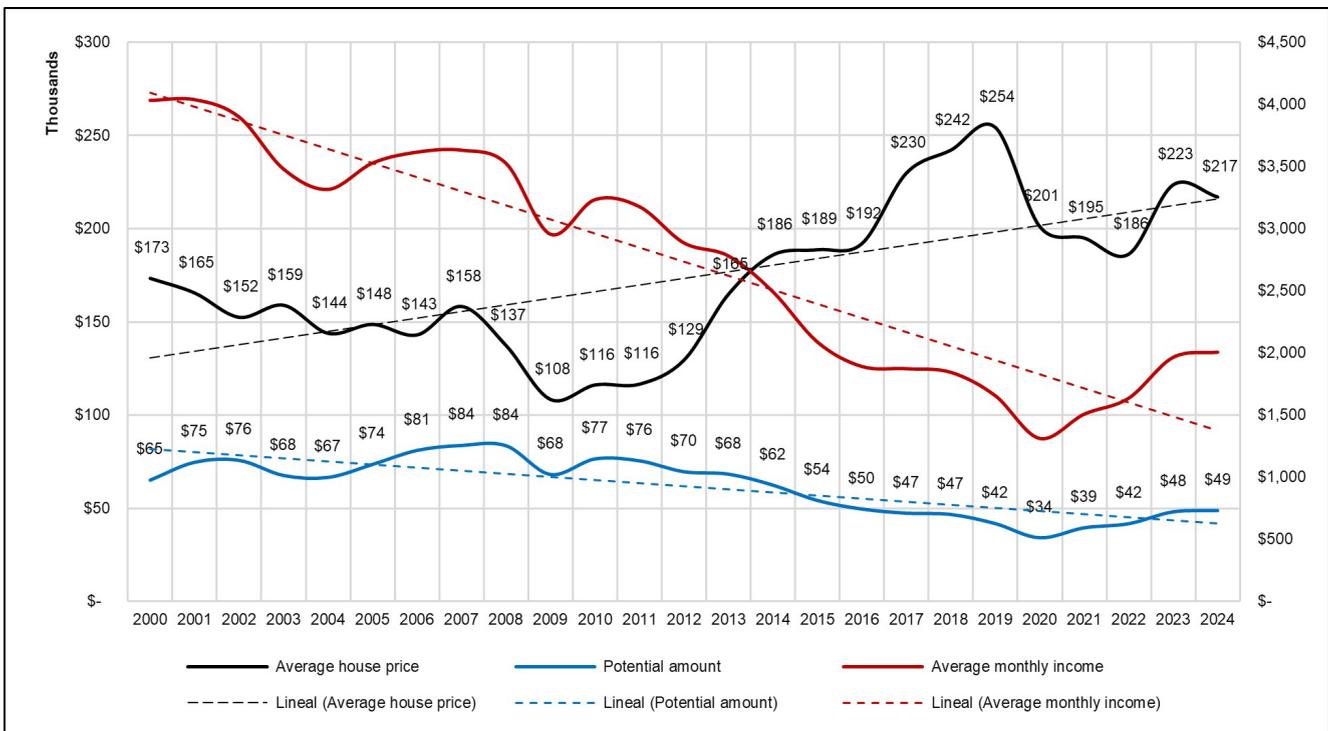


Figure 7. Average income, average housing price in USD (2024=1), and purchasing potential in the MCMA (2000-2024)

Source: Own elaboration based on ENIGH, Inegi (2000-2024); Banxico (2024); Softec (2000-2022); own sampling (2024).

Second, the analyzed typology shows that the supply of new housing in the MCMA between 2000 and 2024 followed a dual pattern. On one side of this pattern, large social housing complexes expanded in the northern and eastern periphery. These complexes were financed through mortgage and stock market schemes and were aimed at low-income sectors. However, they had serious limitations in infrastructure and connectivity. On the other hand, middle- and high-income housing development was concentrated in strategic enclaves in the western part of the metropolitan area and in central areas undergoing urban renewal. This development was aimed at sectors with greater purchasing power and was associated with real estate appreciation processes. This polarization solidified the socio-spatial differentiation of the metropolis.

Finally, empirical analysis of affordability conditions shows that market segmentation contributed to widening affordability gaps. While higher-income households had access to better-located housing with greater urban attributes, low-income sectors faced the dilemma of acquiring formal housing in suburbs with high indirect costs (transportation costs and time investment) or remaining in central areas under increasingly unaffordable rental regimes. In this sense, affordability should be understood as a dynamic category that integrates both the price of housing and the financial and territorial commitments associated with its use.

Taken together, the findings show that housing market segmentation in the MCMA reproduces and deepens socio-residential inequalities. This limits the effective exercise of the right to housing and calls into question the effectiveness of housing policies based on mass producing social housing and selectively producing mid-range and high-end models. These results suggest the need for public policy strategies that reduce affordability gaps, promote well-located housing, and regulate speculative processes that concentrate production in high-profit segments.

